



House of Representatives

General Assembly

File No. 410

January Session, 2011

Substitute House Bill No. 6527

House of Representatives, April 6, 2011

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING TAX INCREMENTAL FINANCING IN ENTERPRISE CORRIDOR ZONES, TAX INCREMENTAL FINANCING IN MUNICIPAL DEVELOPMENT ZONES, AND ALLOWING CERTAIN COMMERCIAL PROPERTIES IN BRISTOL AND PLAINVILLE TO QUALIFY FOR ENTERPRISE ZONE BENEFITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-23zz of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2011*):

3 (a) For the purpose of assisting (1) any information technology
4 project, as defined in subsection (ee) of section 32-23d, which is located
5 in an eligible municipality, as defined in subdivision (12) of subsection
6 (a) of section 32-9t, [or] (2) any remediation project, as defined in
7 subsection (ii) of section 32-23d, or (3) any project in an area of a
8 municipality designated as an enterprise corridor zone pursuant to
9 section 32-80, the Connecticut Development Authority may, upon a
10 resolution of the legislative body of a municipality, issue and
11 administer bonds which are payable solely or in part from and secured

12 by: (A) A pledge of and lien upon any and all of the income, proceeds,
13 revenues and property of such a project, including the proceeds of
14 grants, loans, advances or contributions from the federal government,
15 the state or any other source, including financial assistance furnished
16 by the municipality or any other public body, (B) taxes or payments or
17 grants in lieu of taxes allocated to and payable into a special fund of
18 the Connecticut Development Authority pursuant to the provisions of
19 subsection (b) of this section, or (C) any combination of the foregoing.
20 Any such bonds of the Connecticut Development Authority shall
21 mature at such time or times not exceeding thirty years from their date
22 of issuance and shall be subject to the general terms and provisions of
23 law applicable to the issuance of bonds by the Connecticut
24 Development Authority, except that such bonds shall be issued
25 without a special capital reserve fund as provided in subsection (b) of
26 section 32-23j and, for purposes of section 32-23f, only the approval of
27 the board of directors of the authority shall be required for the
28 issuance and sale of such bonds. Any pledge made by the municipality
29 or the Connecticut Development Authority for bonds issued as
30 provided in this section shall be valid and binding from the time when
31 the pledge is made, and revenues and other receipts, funds or moneys
32 so pledged and thereafter received by the municipality or the
33 Connecticut Development Authority shall be subject to the lien of such
34 pledge without any physical delivery thereof or further act. The lien of
35 such pledge shall be valid and binding against all parties having
36 claims of any kind in tort, contract or otherwise against the
37 municipality or the Connecticut Development Authority, even if the
38 parties have no notice of such lien. Recording of the resolution or any
39 other instrument by which such a pledge is created shall not be
40 required. In connection with any such assignment of taxes or payments
41 in lieu of taxes, the Connecticut Development Authority may, if the
42 resolution so provides, exercise the rights provided for in section 12-
43 195h of an assignee for consideration of any lien filed to secure the
44 payment of such taxes or payments in lieu of taxes. All expenses
45 incurred in providing such assistance may be treated as project costs.

46 (b) Any proceedings authorizing the issuance of bonds under this

47 section may contain a provision that taxes or a specified portion
48 thereof, if any, identified in such authorizing proceedings and levied
49 upon taxable real or personal property, or both, in a project each year,
50 or payments or grants in lieu of such taxes or a specified portion
51 thereof, by or for the benefit of any one or more municipalities,
52 districts or other public taxing agencies, as the case may be, shall be
53 divided as follows: (1) In each fiscal year that portion of the taxes or
54 payments or grants in lieu of taxes which would be produced by
55 applying the then current tax rate of each of the taxing agencies to the
56 total sum of the assessed value of the taxable property in the project on
57 the date of such authorizing proceedings, adjusted in the case of grants
58 in lieu of taxes to reflect the applicable statutory rate of
59 reimbursement, shall be allocated to and when collected shall be paid
60 into the funds of the respective taxing agencies in the same manner as
61 taxes by or for said taxing agencies on all other property are paid; and
62 (2) that portion of the assessed taxes or the payments or grants in lieu
63 of taxes, or both, each fiscal year in excess of the amount referred to in
64 subdivision (1) of this subsection shall be allocated to and when
65 collected shall be paid into a special fund of the Connecticut
66 Development Authority to be used in each fiscal year, in the discretion
67 of the Connecticut Development Authority, to pay the principal of and
68 interest due in such fiscal year on bonds issued by the Connecticut
69 Development Authority to finance, refinance or otherwise assist such
70 project, to purchase bonds issued for such project, or to reimburse the
71 provider of or reimbursement party with respect to any guarantee,
72 letter of credit, policy of bond insurance, funds deposited in a debt
73 service reserve fund, funds deposited as capitalized interest or other
74 credit enhancement device used to secure payment of debt service on
75 any bonds issued by the Connecticut Development Authority to
76 finance, refinance or otherwise assist such project, to the extent of any
77 payments of debt service made therefrom. Unless and until the total
78 assessed valuation of the taxable property in a project exceeds the total
79 assessed value of the taxable property in such project as shown by the
80 last assessment list referred to in subdivision (1) of this subsection, all
81 of the taxes levied and collected and all of the payments or grants in

82 lieu of taxes due and collected upon the taxable property in such
83 project shall be paid into the funds of the respective taxing agencies.
84 When such bonds and interest thereof, and such debt service
85 reimbursement to the provider of or reimbursement party with respect
86 to such credit enhancement, have been paid in full, all moneys
87 thereafter received from taxes or payments or grants in lieu of taxes
88 upon the taxable property in such development project shall be paid
89 into the funds of the respective taxing agencies in the same manner as
90 taxes on all other property are paid. The total amount of bonds issued
91 pursuant to this section which are payable from grants in lieu of taxes
92 payable by the state shall not exceed an amount of bonds, the debt
93 service on which in any state fiscal year is, in total, equal to one million
94 dollars.

95 (c) The authority may make grants or provide loans or other forms
96 of financial assistance from the proceeds of special or general
97 obligation notes or bonds of the authority issued without the security
98 of a special capital reserve fund within the meaning of subsection (b)
99 of section 32-23j, which bonds are payable from and secured by, in
100 whole or in part, the pledge and security provided for in section 8-134,
101 8-192, 32-227 or this section, all on such terms and conditions,
102 including such agreements with the municipality and the developer of
103 the project, as the authority determines to be appropriate in the
104 circumstances, provided any such project in an area designated as an
105 enterprise zone pursuant to section 32-70 receiving such financial
106 assistance shall be ineligible for any fixed assessment pursuant to
107 section 32-71, and the authority, as a condition of such grant, loan or
108 other financial assistance, may require the waiver, in whole or in part,
109 of any property tax exemption with respect to such project otherwise
110 available under subsection (59) or (60) of section 12-81.

111 (d) As used in this section, "bonds" means any bonds, including
112 refunding bonds, notes, temporary notes, interim certificates,
113 debentures or other obligations; "legislative body" has the meaning
114 provided in subsection (w) of section 32-222; and "municipality" means
115 a town, city, consolidated town or city or consolidated town and

116 borough.

117 (e) For purposes of this section, references to the Connecticut
118 Development Authority shall include any subsidiary of the
119 Connecticut Development Authority established pursuant to
120 subsection (l) of section 32-11a, and a municipality may act by and
121 through its implementing agency, as defined in subsection (k) of
122 section 32-222.

123 [(f) No commitments for new projects shall be approved by the
124 authority under this section on or after July 1, 2012.]

125 [(g)] (f) In the case of a remediation project, as defined in subsection
126 (ii) of section 32-23d, that involves buildings that are vacant,
127 underutilized or in deteriorating condition and as to which municipal
128 real property taxes are delinquent, in whole or in part, for more than
129 one fiscal year, the amount determined in accordance with subdivision
130 (1) of subsection (b) of this section may, if the resolution of the
131 municipality so provides, be established at an amount less than the
132 amount so determined, but not less than the amount of municipal
133 property taxes actually paid during the most recently completed fiscal
134 year. If the Connecticut Development Authority issues bonds for the
135 remediation project, the amount established in the resolution shall be
136 used for all purposes of subsection (a) of this section.

137 Sec. 2. Section 32-285 of the general statutes is repealed and the
138 following is substituted in lieu thereof (*Effective July 1, 2011*):

139 (a) (1) There is hereby established a tax incremental financing
140 program, under which the incremental hotel taxes collected under
141 subparagraph (H) of subdivision (2) of subsection (a) of section 12-407,
142 which are generated by a project approved by the authority under this
143 section may be used to pay the debt service on bonds issued by the
144 authority to help finance, on a self-sustaining basis, significant
145 economic projects and encourage their location in the state.

146 (2) The incremental sales taxes collected under chapter 219, other

147 than the sales tax referenced in subdivision (1) of this subsection, and
148 admissions, cabaret and dues taxes collected under chapter 225 which
149 are generated by a project may, subject to approval pursuant to this
150 section by the joint standing committees of the General Assembly
151 having cognizance of matters relating to the Department of Economic
152 and Community Development and finance, revenue and bonding, and
153 the authority, be used to pay the debt service on bonds issued by the
154 authority to help finance, on a self-sustaining basis, significant
155 economic projects and encourage their location in the state.

156 (b) As used in this section: (1) "Authority" means the Connecticut
157 Development Authority; and (2) "eligible project" means a large-scale
158 economic development project (A) that may add a substantial amount
159 of new economic activity and employment in the municipality in
160 which it is to be located and surrounding areas, and may generate
161 significant additional tax revenues in the state; (B) for which use of the
162 tax incremental financing mechanism may be necessary to attract the
163 project to locate in the state; (C) which is economically viable and self-
164 sustaining, taking into account the application of the proceeds of the
165 bonds to be issued under the tax incremental financing program; (D)
166 for which the direct and indirect economic benefits to the state and the
167 municipality in which it will be located outweigh the costs of the
168 project; and (E) which is consistent with the strategic development
169 priorities of the state.

170 (c) Any person, firm or corporation wishing to participate in the tax
171 incremental financing program, or any municipality wishing to obtain
172 tax incremental financing to support a project within its boundaries,
173 may apply to the authority in accordance with the provisions of this
174 subsection. The application shall contain such information as the
175 authority may require, which may include information concerning the
176 type of business proposed to be established and its location, the
177 number of jobs to be created or retained and their average wage rates,
178 feasibility studies or business plans for the project and other
179 information necessary to demonstrate its financial viability, the
180 amounts and types of bonds proposed to be issued for the project and

181 the proposed use of the proceeds, information about other sources of
182 financing available to support repayment of the bonds proposed to be
183 issued, including property tax increments to be made available by the
184 municipality, a geographic description of the area surrounding the
185 proposed site of the project and the existing firms doing business in
186 that area, an economic impact assessment of the effects of the project
187 on the municipality, an assessment of the incremental hotel taxes, or, if
188 applicable, the incremental sales and admissions, cabaret and dues
189 taxes to be generated by the project, an analysis of necessary
190 infrastructure development to support the project and any available
191 sources of financing for such infrastructure and other information
192 which demonstrates that the bonds will be self-sustaining from the
193 incremental taxes collected and any amounts made available by a
194 municipality under subsection (i) of this section, and that the project
195 will provide net benefits to the economy and employment opportunity
196 in the state. The authority shall impose a fee for such application as it
197 deems appropriate. Any costs incurred by the authority which are
198 associated with such application and are not covered by such fee shall
199 be paid from funds of the authority which are not otherwise
200 committed or pledged.

201 (d) Upon receiving an application for participation in the tax
202 incremental financing program and any supporting information, the
203 executive director of the authority shall make a preliminary
204 determination as to whether a proposed project may be eligible for
205 participation in the program.

206 (e) (1) The authority shall review each application that has been
207 preliminarily determined to be eligible under subsection (d) of this
208 section. In reviewing an application, the authority shall obtain such
209 additional information as may be necessary to make a final
210 determination as to whether the project is eligible for participation in
211 the program, whether the project is economically viable with use of the
212 tax incremental financing mechanism, the effects of the project on the
213 municipality and whether the project would provide net benefits to
214 economic development and employment opportunity in the state. The

215 authority may require the project sponsor to submit such additional
216 information as may be necessary to evaluate the application.

217 (2) The authority shall retain such financial advisors and other
218 experts as it deems appropriate to conduct an independent financial
219 assessment of the application and supporting information, including,
220 in particular, the amount of the incremental hotel taxes, or, if
221 applicable, the incremental sales and admissions, cabaret and dues
222 taxes to be generated by the project, whether the project will be
223 economically viable and whether the bonds will be self-sustaining.

224 (3) The authority shall prepare a revenue impact assessment that
225 estimates the incremental hotel taxes or, if applicable, the incremental
226 sales and admissions, cabaret and dues taxes that would be generated
227 by the project, the state and local revenues that would be foregone as a
228 result of the project, all state and local revenues that would be
229 generated by the project and the economic benefits that would likely
230 result from construction of the project, including revenue effects of
231 such economic benefits.

232 (4) (A) Not later than seventy-two hours before presenting a
233 proposed project to the board of directors of the authority for final
234 approval, if such project uses incremental hotel taxes, the executive
235 director of the authority shall give notice of the proposed project and
236 meeting to the president pro tempore and minority leader of the
237 Senate, the speaker and minority leader of the House of
238 Representatives and the chairpersons and ranking members of the
239 joint standing committees of the General Assembly having cognizance
240 of matters relating to finance, revenue and bonding and the
241 Department of Economic and Community Development. Such notice
242 shall include such information about the project, the estimated tax
243 increments and the revenue impact assessment, as may be appropriate,
244 consistent with the protection of any confidential financial information
245 provided by the project sponsor. Any such member of the General
246 Assembly may, by notifying the executive director, request that the
247 board of directors of the authority defer final consideration of the

248 project for thirty days.

249 (B) If such project uses incremental sales and admissions, cabaret
250 and dues taxes, the notice required pursuant to subparagraph (A) of
251 this subdivision shall not be required, but the procedure in subdivision
252 (6) of subsection (f) of this section shall be followed after the board of
253 directors of the authority has given approval to such project.

254 (f) (1) Upon consideration of the application, the results of the
255 independent financial assessment, the revenue impact assessment and
256 any additional information that the board of directors of the authority
257 requires concerning a proposed project, such board of directors shall
258 determine whether to approve the project for participation in the tax
259 incremental financing program and, if so, the amount and type of
260 bonds the authority shall issue to support the approved project, the
261 purposes for which the funds generated by sale of the bonds may be
262 applied and the amount of the incremental sales and admissions,
263 cabaret and dues taxes that shall be annually allocated to pay principal
264 and interest on the bonds to be issued for the project. The amounts so
265 allocated shall not exceed the estimated amount of incremental taxes to
266 be collected, except that in the case of retail shopping center projects,
267 the amount of incremental sales allocated to calculating incremental
268 sales taxes shall not exceed thirty per cent of gross sales directly
269 associated with the project. From the amount of incremental taxes so
270 allocated by the authority, the amount required for payment of
271 principal and interest on the bonds issued in accordance with
272 subsection (g) of this section shall be deemed appropriated from the
273 state General Fund, provided, for projects using incremental sales and
274 admissions, cabaret and dues taxes, an amount shall be deemed
275 appropriated only upon final approval of such projects pursuant to
276 subdivision (6) of this subsection.

277 (2) The authority may approve a project only if it concludes that: (A)
278 The project is an eligible project; (B) the incremental hotel taxes or, if
279 applicable, the incremental sales taxes collected under chapter 219 and
280 the incremental admissions, cabaret and dues taxes collected under

chapter 225 that are generated by the project, together with other dedicated sources of financing available to pay debt service on the bonds, will be sufficient to pay interest and principal on the bonds as they come due; (C) the project will be economically viable and will contribute significantly to economic development and employment opportunity in the state; and (D) the direct and indirect economic benefits of the project to the state and the municipality in which it shall be located will be greater than the costs to the state and such municipality.

(3) The authority shall seek to obtain diversification among the types of projects supported under this program and among the geographic regions in the state in which projects are located, provided priority shall be given to areas in municipalities designated as enterprise corridor zones pursuant to section 32-80.

(4) The approval of a project by the authority may be combined with the exercise of any of its other powers, including but not limited to, the provision of other forms of financial assistance. The proceeds of the bonds may be combined with any other funds available from state or federal programs, or from investments by the private sector, to support the project.

(5) Upon approving a project, the authority may require the project sponsor to reimburse the authority for all or any part of the costs of the independent financial assessment conducted in reviewing the application and any other related costs incurred.

(6) For final approval of any proposed project using incremental sales and admissions, cabaret and dues taxes, the authority shall submit, in a manner consistent with the protection of any confidential financial information provided by the project sponsor, copies of the application, the independent financial assessment, the revenue impact assessment, and the proposed financial assistance to be offered by the authority to the proposed project, to the joint standing committees of the General Assembly having cognizance of matters relating to the Department of Economic and Community Development and finance,

314 revenue and bonding for final approval. Not later than forty-five days
315 after said committees' receipt of such proposed project information,
316 said committees shall advise the authority of their approval or
317 modifications, if any, to such proposed financial assistance. If said
318 committees do not agree, the committee chairpersons shall appoint a
319 committee on conference which shall be comprised of three members
320 from each joint standing committee. At least one member appointed
321 from each committee shall be a member of the minority party. The
322 report of the committee on conference shall be made to each
323 committee, which shall vote to accept or reject the report. The report of
324 the committee on conference may not be amended. If a joint standing
325 committee rejects the report of the committee on conference, the
326 proposed financial assistance shall be deemed approved. If the joint
327 standing committees accept the report, the committee having
328 cognizance of finance, revenue and bonding shall advise the authority
329 of their approval or modifications, if any, of such proposed financial
330 assistance, provided, if the committees do not act within forty-five
331 days, the proposed financial assistance shall be deemed approved.
332 Financial assistance by the authority for the proposed project shall be
333 in accordance with the proposed financial assistance as approved or
334 modified by the committees.

335 (g) (1) The authority may issue one or more series of bonds in
336 accordance with the provisions of chapter 579, to the extent not
337 inconsistent with the provisions of this subsection, payable in whole or
338 in part from the incremental taxes allocated and deemed appropriated
339 from the state General Fund under subsection (f) of this section and
340 any amounts contributed by a municipality under subsection (i) of this
341 section, to finance a project approved under this section or to refund
342 bonds previously issued under this section. The authority is
343 authorized to make a grant of all or part of the proceeds of such bonds
344 to any person in connection with the acquisition, construction and
345 equipping of an eligible project, including the expense of the state or
346 any municipality, or any instrumentality or agency of the state or any
347 municipality, in connection therewith. Subject to applicable federal tax
348 law, the authority may issue such bonds, the interest on which is

349 excludable from gross income for federal income tax purposes, or such
350 bonds, the interest on which is not so excludable. The authority, when
351 authorizing the issuance of any series of such bonds, shall, in
352 conjunction with the State Treasurer, determine the rate of interest of
353 such bonds, the date or dates of their maturity, the medium of
354 payment, the redemption terms and privileges, whether such bonds
355 shall be sold by negotiated or competitive sale and any and all other
356 terms, covenants and conditions not inconsistent with this section, in
357 connection with the issuance thereof, including but not limited to, the
358 pledging of special capital reserve funds authorized under subsection
359 (b) of section 32-23j.

360 (2) The issuance of any bonds by the authority under this section
361 shall be subject to the approval of the State Bond Commission. Upon
362 approving a project, the authority shall submit the matter to the State
363 Bond Commission for final approval. The State Bond Commission
364 shall not approve any project unless it has received the submission
365 from the authority at least ten days prior to the meeting at which such
366 project is to be considered. Such submission shall include the
367 information considered by the authority in approving the project, the
368 independent financial assessment and such other information as the
369 commission deems appropriate. In reaching its decision, the State
370 Bond Commission may consider such information as submitted. After
371 such approval by the Bond Commission, no other approval shall be
372 required for the project.

373 (h) For such period of time as bonds issued to support an approved
374 project are outstanding, the Treasurer shall make payment of interest
375 and principal on the bonds to the trustee when due, but not exceeding
376 in any fiscal year the amount deemed appropriated pursuant to
377 subsection (f) of this section.

378 (i) A portion of the proceeds of bonds issued pursuant to this
379 section may be made available to a municipality in which a project is
380 located for the purpose of carrying out or administering a
381 redevelopment plan or other functions authorized under chapter 130

382 or chapter 132. Such municipality may contribute all or any part of the
383 money specified in subdivision (2) of section 8-134a or subdivision (b)
384 of section 8-192a to the authority for the payment of principal and
385 interest on the bonds issued by the authority under this section to
386 support such approved project. In exercising such power, such
387 municipalities shall proceed as provided in said chapter 130 or 132, as
388 the case may be, except that the references therein to bonds and bond
389 anticipation notes shall be deemed to refer to the bonds issued by the
390 authority under this section.

391 (j) (1) Not later than July first in each year that bonds issued to
392 support an approved project are outstanding, the authority shall
393 submit a report to the joint standing committees of the General
394 Assembly having cognizance of matters relating to the Department of
395 Economic and Community Development and finance, revenue and
396 bonding with respect to the operations, finances and achievement of
397 the economic development objectives of the projects approved under
398 this section. The authority shall review and evaluate the progress of
399 each project and shall devise and employ techniques for forecasting
400 and measuring relevant indices of accomplishment of its goals of
401 economic development, including, but not limited to, (A) the actual
402 expenditures compared to original estimated costs, (B) whether there
403 have been significant cost increases over original estimates, (C) the
404 number of jobs created, or to be created, by or as a result of the project,
405 (D) the cost or estimated cost, to the authority, involved in the creation
406 of those jobs, (E) the amount of private capital investment in, or
407 stimulated by, the project, in proportion to the public funds invested in
408 such project, (F) the number of additional businesses created and
409 associated jobs, and (G) any impact on tourism.

410 (2) Not later than July first in each year that bonds issued to support
411 an approved project are outstanding, the Office of Policy and
412 Management shall retain independent financial experts to conduct an
413 analysis of the financial status of each project approved under this
414 section. The independent financial analysis shall include, but not be
415 limited to, determinations as to whether the incremental hotel taxes or,

416 if applicable, the incremental sales and admissions, cabaret and dues
417 taxes actually generated by the project are equal to the estimates made
418 at the time the project was approved, whether the project is
419 economically viable and whether the bonds issued are self-sustaining
420 with the incremental taxes actually collected and other financing
421 sources dedicated to repayment of the bonds. The authority shall
422 require the project sponsor to reimburse the Office of Policy and
423 Management for the costs of such annual analyses. The results of such
424 analyses shall be made available to the president pro tempore of the
425 Senate, the speaker of the House of Representatives, the majority and
426 minority leaders of both houses, and to the chairpersons and ranking
427 members of said committees.

428 [(k) No commitments for new projects shall be approved by the
429 authority under this section on or after July 1, 2012.]

430 Sec. 3. (NEW) (*Effective July 1, 2011*) (a) As used in this section:

431 (1) "Authorized improvements" means capital costs or financing
432 costs for a commercial development project that has been approved by
433 a municipality;

434 (2) "Capital costs" means (A) the acquisition or construction of land,
435 improvements, buildings, structures, fixtures and equipment for public
436 or commercial use, (B) the demolition, alteration, remodeling, repair or
437 reconstruction of existing buildings, structures and fixtures, (C) site
438 preparation and finishing work; and (D) all fees and expenses
439 including, but not limited to, licensing and permitting expenses and
440 planning, engineering, architectural, testing, legal and accounting
441 expenses;

442 (3) "Chief elected official" shall have the same meaning as in section
443 4-124i of the general statutes;

444 (4) "Commercial development project" or "project" means a project
445 undertaken by an eligible applicant involving one or more of the
446 following:

447 (A) The construction, substantial renovation, improvement or
448 expansion of a facility;

449 (B) The acquisition of new machinery and equipment; or

450 (C) The acquisition, improvement, demolition, cultivation or
451 disposition of real property, or combinations thereof, or the
452 remediation of contaminated real property; and

453 (5) "Financing costs" means (A) closing costs, issuance costs and
454 interest paid to holders of evidences of indebtedness issued to pay for
455 project costs and any premium paid over the principal amount of that
456 indebtedness because of the redemption of the obligations before
457 maturity, and (B) real property assembly costs.

458 (b) A municipality with an area designated as an enterprise corridor
459 zone pursuant to section 32-80 of the general statutes may designate
460 such zone or a portion of such zone as a municipal development
461 district.

462 (c) There is established a municipal property tax incremental
463 financing program, under which the incremental property taxes
464 generated by a commercial development project located in a municipal
465 development district may be used to repay portions of loans or
466 funding obtained by the project applicant for authorized
467 improvements on the commercial development project.

468 (d) Prior to obtaining loans or funding for a commercial
469 development project in a municipal development district, any person,
470 firm or corporation may apply to a redevelopment agency of a
471 municipality, or, in the case of a municipality without a redevelopment
472 agency, the chief elected official, for property tax incremental financing
473 in the amount of the cost of the proposed authorized improvements.
474 The application shall contain such information as the municipality's
475 redevelopment agency or chief elected official, as the case may be, may
476 require, which may include, but need not be limited to, information
477 concerning the types of proposed authorized improvements to be

478 made on the commercial development project, the feasibility studies or
479 business plans for the project and other information necessary to
480 demonstrate its financial viability, information concerning other
481 sources of financing available to support the costs of the proposed
482 authorized improvements, the estimated completion date of the
483 project, and an economic impact assessment of the effects of the project
484 on the municipality. The municipality or agency may impose a fee for
485 such application as it deems appropriate.

486 (e) Upon receiving an application for tax incremental financing,
487 with any supporting information, the municipality's redevelopment
488 agency or chief elected official, as the case may be, shall make a
489 preliminary determination as to whether the proposed authorized
490 improvements on a commercial development project may be eligible
491 for participation in the program. The agency or official shall notify the
492 applicant not later than twenty days after receipt of the application of
493 the preliminary determination as to the eligibility of the proposed
494 authorized improvements for the program.

495 (f) (1) The municipality's redevelopment agency or chief elected
496 official, as the case may be, shall review each application that has been
497 preliminarily determined to be eligible under subsection (e) of this
498 section. In reviewing an application, the redevelopment agency or
499 chief elected official, as the case may be, shall obtain such additional
500 information as may be necessary to make a final determination as to
501 whether the proposed authorized improvements on the project are
502 eligible for participation in the program, whether the project is
503 economically viable with use of the tax incremental financing, the
504 effects of the project on the municipality and whether the project
505 would provide net benefits to economic development in the
506 municipality. The redevelopment agency or chief elected official, as the
507 case may be, may require the applicant to submit such additional
508 information as may be necessary to evaluate the application.

509 (2) The redevelopment agency or chief elected official, as the case
510 may be, shall retain such financial advisors and other experts as it

511 deems appropriate to conduct an independent financial assessment of
512 the application and supporting information, including, in particular,
513 the amount of the incremental property tax revenue to be generated by
514 the commercial development project, whether such project will be
515 economically viable and the likelihood of the applicant obtaining loans
516 or funding for such project.

517 (3) The redevelopment agency or chief elected official, as the case
518 may be, shall prepare a revenue impact assessment that estimates the
519 property taxes that would be generated by the commercial
520 development project, the local revenues that would be foregone as a
521 result of such project, all other local revenues that would be generated
522 by such project and the economic benefits that would likely result from
523 construction of such project, including the revenue effects of such
524 economic benefits.

525 (g) (1) The redevelopment agency or chief elected official, as the case
526 may be, shall present the proposed commercial development project to
527 the legislative body of the municipality. Upon consideration of the
528 application, the results of the independent financial assessment, the
529 revenue impact assessment and any additional information that the
530 legislative body of the municipality requires concerning a proposed
531 project, such legislative body shall determine whether to approve the
532 project for participation in the municipal property tax incremental
533 financing program and, if so, the amount of the loans or funding the
534 municipality or agency will guarantee to repay out of the property tax
535 increment for authorized improvements on the approved commercial
536 development project. The amounts so guaranteed shall not exceed the
537 estimated amount of incremental property taxes to be collected.

538 (2) The guarantee to repay loans or funding for authorized
539 improvements on a commercial development project out of the
540 property tax increment by the legislative body of a municipality may
541 be combined with the exercise of any of its other powers, including,
542 but not limited to, the provision of other forms of financial assistance.

543 (3) Upon approving a commercial development project, the

544 legislative body of a municipality, by resolution, shall enter into an
545 agreement to provide the applicant with property tax incremental
546 financing in the amount of the authorized improvements on such
547 project. Such agreement shall stipulate that the property tax
548 incremental financing shall be contingent on the applicant obtaining
549 loans or funding for the project, and the completion of the project.

550 (4) Prior to the applicant commencing work on such commercial
551 development project, the municipality's assessor shall certify the
552 assessed value of the property in which the project is located, which
553 shall be the original assessed value.

554 (h) Upon the project's completion, any municipal property taxes
555 levied upon the property in which such project is located shall be
556 divided as follows:

557 (1) In each fiscal year that portion of the taxes or payments in lieu of
558 taxes, or both, which would have been produced by applying the
559 original assessed value of the property in which the commercial
560 development project is located, shall be allocated to, and when
561 collected shall be paid into, the funds of the municipality in the same
562 manner as taxes by or for said municipality on all other property are
563 paid; and

564 (2) That portion of the assessed taxes or payments in lieu of taxes, or
565 both, in each fiscal year in excess of the original assessed value shall be
566 allocated to the applicant to pay the principal of and interest due on
567 loans or funding received by the applicant in the amount of the
568 authorized improvements on the commercial development project.
569 When the principal and interest due on loans or funding received by
570 the applicant in the amount of the authorized improvements on the
571 commercial development project have been paid in full, all moneys
572 thereafter received from taxes or payments in lieu of taxes, or both,
573 upon the taxable property in which the commercial development
574 project is located shall be paid into the funds of the municipality in the
575 same manner as taxes on all other property in the municipality are
576 paid.

577 Sec. 4. Subsection (b) of section 32-41s of the general statutes is
 578 repealed and the following is substituted in lieu thereof (*Effective July*
 579 *1, 2011*):

580 (b) On and after July 1, 2010, eligible businesses and eligible
 581 commercial property located in (1) the city of Hartford; (2) census
 582 block groups 090034601001, 090034601009, 090034602014 and
 583 090034602022 in the town of Farmington; (3) census blocks
 584 090034602021011, 090034602021012, 090034602021013,
 585 090034602021014, 090034602021015, 090034602021017,
 586 090034602021018, 090034602021019, 090034602021020,
 587 090034602021021, 090034602021022, 090034602021023, 090034602021024
 588 and 090034602021025 in the town of Farmington; (4) census block
 589 groups 090034165005 and 090034165006 in the city of New Britain; (5)
 590 census blocks 90034164001000, 90034164001001, 90034164001002,
 591 90034164004004, 90034164004005, 90034164004006 and 90034164001009
 592 in the city of New Britain; (6) census tracts 09003417500, 09003416000,
 593 09003416100, 09003416700, 09003416800, 09003417400, 09003417200,
 594 09003417300 and 09003415700 in the city of New Britain; (7) census
 595 tracts 09003404061, 09003404054, 09003405100, 09003405200 and
 596 09003405300 in the city of Bristol; (8) fifty-three acres of property zoned
 597 Technology Park within census tract 420700, block 9000 in the town of
 598 Plainville; (9) forty acres of raw land zoned Restricted Industrial
 599 within census tract 420400, block group 1000 in the town of Plainville;
 600 (10) thirty-five acres of raw land zoned Restricted Industrial within
 601 census tract 420500, block 3000 in the town of Plainville; or [(8)] (11)
 602 any municipality which has (A) a major research university with
 603 programs in bioscience, biotechnology, pharmaceuticals or photonics,
 604 and (B) an enterprise zone, shall be entitled to the same benefits,
 605 subject to the same conditions, under the general statutes for which
 606 businesses located in an enterprise zone qualify.

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2011	32-23zz
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Sec. 2	<i>July 1, 2011</i>	32-285
Sec. 3	<i>July 1, 2011</i>	New section
Sec. 4	<i>July 1, 2011</i>	32-41s(b)

Statement of Legislative Commissioners:

In sections 1(a) and 2(f)(3), changes were made to correctly reference areas in municipalities designated as enterprise corridor zones for clarity and to ensure conciseness in the phraseology, in section 3(a)(2) the phrase "that are eligible to be included in the capital costs of such improvements" was deleted for consistency with the general statutes, and in section 3(a)(5) the phrase "and (C) professional services costs, including, but not limited to, licensing architectural, planning, engineering and legal expenses" was deleted to avoid repetition.

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 \$	FY 13 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 12 \$	FY 13 \$
Various Municipalities	Revenue Impact/Potential Cost	See Below	See Below

Explanation

The bill results in a potential revenue impact to municipalities and a potential revenue loss to the state by:

- 1) Expanding the tax incremental financing programs administered by the Connecticut Development Authority (CDA);
- 2) Establishing a municipal property tax incremental financing program in certain municipalities;
- 3) Expanding the Bioscience Enterprise Zone.

Tax Incremental Financing (Connecticut Development Authority)

Sections 1 - 2 expand the tax incremental financing (TIF) programs administered by CDA, a quasi-state agency. The bill expands a TIF program which uses incremental revenues from property taxes ("CDA municipal TIF program") by 1) eliminating the sunset date, and 2) extending the program to enterprise corridor zones. To the extent that this extension of the program enhances the ability of large scale

projects to be financed, there is a potential for grand list expansion in those municipalities.

This could also result in an increase in state revenue collections if it produces economic development that leads to an increase in the state's tax base.

Sections 1 – 2 also expand a TIF program that uses the incremental revenues from state taxes (“CDA state TIF program”) to pay the debt service on the bonds issued to build a project. Similar to the CDA municipal TIF program, the bill 1) eliminates the sunset date and 2) extends the program to enterprise corridor zones. This may result in an increase in state revenue from a variety of state taxes to the degree that projects using the TIF financing mechanism generate more revenue than the amount required to pay the cost of the bonds issued to finance the project.

Expanding the TIF programs may result in costs to CDA, if towns submit applications for TIF projects that do not subsequently receive funding. Under the program, towns are required to reimburse the agency for expenses associated with the statutory evaluation process, including a financial assessment, a revenue impact assessment and legal fees. However if for any reason the project does not receive TIF funding, the agency's costs are not reimbursed.

Municipal Property Tax Incremental Financing Program

Section 3 would allow a municipality with a designated enterprise corridor zone to establish a municipal property tax incremental financing (PTIF) program in the zone, or a portion thereof. This could result in an increase in state revenue collections if it produces economic development that leads to an increase in the state's tax base. It also could result in grand list expansion in participating municipalities.

Under a PTIF program, the anticipated increase in property taxes resulting from improvements (the “tax increment”) is returned by the

municipality to the developer for an agreed term to allow the developer to retire the project's financing. The bill specifies that the excess of the tax increment above the property's original assessed value must be allocated to the developer to pay the principal of and interest due on financing, up to the amount of the authorized improvement.

Any municipality choosing to establish a PTIF program would be required to retain financial advisors and other experts to perform an independent financial assessment of each application. Costs of an assessment of a basic project would be expected to be approximately \$5,000; a complicated proposal may result in assessment costs exceeding \$100,000. These costs would be mitigated to the extent that the municipality exercises the authority granted in the bill to establish a PTIF application fee.

Bioscience Enterprise Corridor Zone

Section 4 expands the Bioscience Enterprise Corridor Zone to additional specified census tracts in Bristol and Plainville. This gives businesses within these areas the same benefits that businesses in enterprise zones receive. This could result in a revenue loss to the state and municipalities. The degree of the impact is dependent upon the business activity that could occur as a result of the benefits. Currently financial incentives include a corporate business tax credit, property tax abatement, and real estate conveyance tax exemptions.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 6527*****AN ACT CONCERNING TAX INCREMENTAL FINANCING IN ENTERPRISE CORRIDOR ZONES, TAX INCREMENTAL FINANCING IN MUNICIPAL DEVELOPMENT ZONES, AND ALLOWING CERTAIN COMMERCIAL PROPERTIES IN BRISTOL AND PLAINVILLE TO QUALIFY FOR ENTERPRISE ZONE BENEFITS.*****SUMMARY:**

This bill eliminates the July 1, 2012 sunset date for funding new projects under two Connecticut Development Authority (CDA) programs providing bond financing for large-scale development projects. Consequently, it makes the programs permanent. One program uses incremental property tax revenues to repay the municipal bonds CDA issues on a municipality's behalf to finance information technology and brownfield remediation projects (tax increment financing, or TIF). The other uses incremental hotel, sales, and other specified state revenue to repay the bonds CDA issues on the state's behalf to finance economic development projects.

The bill provides more options for financing projects in the state's two enterprise corridor zones, which are areas where businesses qualify for property tax exemptions and corporation business tax credits for improving property. It allows corridor zone municipalities to use the incremental property tax revenue a project generates to repay the loans and other debt a business incurred to finance a project. The bill specifies the procedures a municipality must follow if it chooses this option.

The bill also gives corridor zone projects more access to CDA bonds backed by TIF revenue. It makes any type of corridor zone project eligible for CDA bonds backed by incremental property tax revenue. It

also requires CDA to give these projects priority for state bond financing backed by incremental hotel, sales, and other specified state revenues. Current law requires CDA to select projects for this type of financing from different regions.

Lastly, the bill also expands the Bioscience Enterprise Corridor Zone to encompass additional specified census tracts in Bristol and Plainville. Businesses that improve property within the zone qualify for the same property tax exemptions and corporation business tax credits available in the 17 enterprise zones. PA 10-104 designated the zone, which currently includes Hartford and specified sections of Bristol, Farmington, and New Britain located near the John Dempsey Hospital, the Hospital of Central Connecticut, and Bristol Hospital.

EFFECTIVE DATE: July 1, 2011

LOAN REPAYMENT TIFs

The bill allows the 13 enterprise corridor zone municipalities to use TIF to help developers repay loans and other debt they incurred to finance projects in the zones. Businesses that improve property in these locally-designated, state-approved zones qualify for property tax exemptions and, in some cases, corporation business tax credits. The exemptions for improving manufacturing facilities and those housing specified financial services and retail businesses are partially reimbursed by the state.

Under the bill, corridor zone municipalities can help these businesses finance new development by returning some or all of the new or incremental additional property tax revenue the completed developments generate. A municipality may do so if the developer obtains financing from other sources and agrees to use the revenue to pay the debt on only specified development costs. Current law allows all municipalities to use incremental property tax revenue to repay only the bonds they issue to prepare a designated area for new development.

ELIGIBILITY

Projects

Because the bill defines eligible projects based on development activities, any type of business potentially qualifies for TIF. Consequently, a project qualifies for this type of financing if it involves:

1. constructing, substantially renovating, improving, or expanding a facility;
2. acquiring new machinery and equipment;
3. acquiring, improving, demolishing, cultivating, or disposing of real estate; or
4. cleaning up contaminated property.

Costs

The eligible capital costs reflect the above activities. Businesses can use the TIF revenue to:

1. acquire land;
2. construct or improve land, buildings, fixtures, and equipment for commercial and public uses;
3. demolish, alter, remodel, repair, or reconstruct existing buildings, structures, and fixtures;
4. prepare sites and finish work; and
5. pay all fees and expenses, including those for licenses and permits and professional services.

The financing costs include those incurred to assemble parcels and arrange and repay debt.

MUNICIPAL DEVELOPMENT DISTRICT

The corridor zone municipalities may offer TIF financing only if they designate all or part of the zone a municipal development district.

Only businesses in these districts may apply for TIF financing.

APPLICATION PROCESS

Application Submission

Businesses seeking TIFs must apply either to the municipality's redevelopment agency or chief elected official (CEO) if it has no agency. In doing so, a business must include any information the agency or the CEO requires, including a description of the eligible improvements and their funding sources, feasibility studies and business plans, the project's estimated completion date, and an assessment of its economic impact.

Preliminary Project Eligibility Determination

Within 20 days after a business submits its application for TIF, the municipality must make a preliminary determination about whether the proposed project qualifies for TIF and notify the business to that effect.

Application Review

If the municipality grants preliminary approval, it must review the application and make a final determination about the project's eligibility. In doing so, it must obtain any additional information it needs to determine the project's eligibility, economic viability, and economic benefits. The municipality may also require the business to provide any additional information it needs to evaluate its application.

Besides obtaining additional information, the municipality may hire financial advisors and other experts to independently assess the application and the supporting information, including the projected incremental revenue and whether banks and other funding sources will finance the project.

Lastly, the municipality must prepare a revenue impact assessment that:

1. estimates the property taxes and other local revenues the project will generate,

2. determines how the project's construction would benefit the economy and the revenue it would generate, and
3. estimates the property taxes or payments in lieu of taxes the municipality will forgo because of the TIF.

Legislative Body Approval

The municipality's legislative body must approve the project before the agency or CEO can commit TIF funding. Using the information the municipality gathered during the application process, the legislative body must decide whether to approve the TIF and, if it does, the TIF amount, which cannot exceed the project's projected incremental property tax revenues. The legislative body may combine the TIF revenue with other financial assistance.

TIF AGREEMENT

If the legislative body approves the application, it must enter into an agreement with the business to provide TIF funding equal to the amount of the authorized improvements. The agreement must specify that the business will receive the TIF revenue only if it secures loans or other financing for the project and completes it.

DETERMINING THE TIF

The bill specifies how the municipality must determine the incremental tax revenue. Because TIF assumes that taxes increase after a property is improved, the property's value before improvements serves as a baseline for determining the increase. Under the bill, the municipal assessor must determine the property's assessed value before the project begins. The bill labels this value the original assessed value.

When the improvements are completed, the municipality must divide the revenue between itself and the business according to the bill's formula. It must determine the amount of taxes the property would have generated based on its original assessed value and allocate that amount to its general fund.

It must also determine the amount of taxes or payments in lieu of taxes the property generates in excess of that amount and allocate it to the business, which must use it to pay the principal and interest on the loans and funds it obtained to finance the project. After the business pays this debt, all of the property tax generated goes to the municipality.

BACKGROUND

Enterprise Corridor Zones

These zones are industrial districts where businesses developing facilities and creating jobs qualify for property tax exemptions and corporation business tax credits. Corridor zones can be designated by relatively small municipalities meeting population, economic, and geographic criteria.

There are currently two corridor zones, both of which were designated before 2005, when the legislature changed the designation criteria. They are:

1. the Eastern Connecticut Enterprise Corridor, which consists of Griswold, Killingly, Lisbon, Plainfield, Putnam, Sprague, Sterling, and Thompson and
2. Naugatuck Valley Corridor, which consists of Ansonia, Beacon Falls, Derby, Naugatuck, and Seymour.

Related Bill

HB 6221 also makes permanent the CDA programs using tax increment financing. The Commerce Committee reported the bill favorably to the Finance, Revenue and Bonding Committee on February 15, 2011.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 18 Nay 1 (03/22/2011)